

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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SENATE BILL 605  
Finance Committee Substitute Adopted 7/21/15  
Corrected Copy 7/22/15

Short Title: Various Changes to the Revenue Laws.

(Public)

Sponsors:

Referred to:

March 30, 2015

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE VARIOUS CHANGES TO THE REVENUE LAWS.  
3 The General Assembly of North Carolina enacts:

4  
5 **PART I. BUSINESS TAX CHANGES**

6 **SECTION 1.1.(a)** G.S. 105-121.1 is repealed.

7 **SECTION 1.1.(b)** This section is effective for taxes due on or after April 1, 2016.

8 **SECTION 1.2.** G.S. 105-129.26(a) reads as rewritten:

9 "(a) Major Recycling Facility. – A recycling facility qualifies for the tax benefits  
10 provided in this Article and in ~~Article 5~~ Article 5F of this Chapter for major recycling facilities  
11 if it meets all of the following conditions:

12 ...."

13 **SECTION 1.3.(a)** G.S. 105-130.4(s) reads as rewritten:

14 "(s) All apportionable income of an air transportation corporation or a water  
15 transportation corporation shall be apportioned by a fraction, the numerator of which is the  
16 corporation's revenue ton miles in this State and the denominator of which is the corporation's  
17 revenue ton miles everywhere. A qualified air freight forwarder shall use the revenue ton mile  
18 fraction of its affiliated airline. The following definitions apply in this subsection:

19 (1) Air transportation corporation. – An airline that carries passengers or freight  
20 of any kind, or both, or a qualified air freight forwarder.

21 (2) Qualified air freight forwarder. – A company that is an affiliate of an airline  
22 and whose air freight forwarding business is primarily carried on with the  
23 affiliated airline.

24 (3) ~~The term "revenue~~ Revenue ton mile" means one mile. – One ton of  
25 passengers, freight, mail, or other cargo carried one mile. In making this  
26 computation, a passenger is considered to weigh two hundred pounds."

27 **SECTION 1.3.(b)** This section is effective for taxable years beginning on or after  
28 January 1, 2015.

29 **SECTION 1.4.(a)** G.S. 105-130.5(b)(6), (7), (12), (13), (15), (18), (19), and (22)  
30 and G.S. 105-130.5(c)(4) and (5) are repealed.

31 **SECTION 1.4.(b)** G.S. 105-130.5(b)(11) reads as rewritten:

32 "(b) The following deductions from federal taxable income shall be made in determining  
33 State net income:

34 ...



1 (11) If a deduction for an ordinary and necessary business expense was required  
2 to be reduced or was not allowed under the Code because the corporation  
3 claimed a federal tax credit against its federal income tax liability for the  
4 income year in lieu of a deduction, the amount by which the deduction was  
5 reduced and the amount of the deduction that was disallowed.—This  
6 deduction is allowed only to the extent that a similar credit is not allowed by  
7 this Chapter for the amount."

8 **SECTION 1.4.(c)** G.S. 105-122(b)(4), (5), (6), and (8) and G.S. 105-122(d1) are  
9 repealed.

10 **SECTION 1.4.(d)** G.S. 105-122(d) reads as rewritten:

11 "(d) Tax Base and Tax Rate. — After determining the proportion of its total capital stock,  
12 surplus and undivided profits as set out in subsection (c1) of this section, which amount shall  
13 not be less than fifty-five percent (55%) of the appraised value as determined for ad valorem  
14 taxation of all the real and tangible personal property in this State of each corporation nor less  
15 than its total actual investment in tangible property in this State, every corporation taxed under  
16 this section shall annually pay to the Secretary of Revenue, at the time the return is due, a  
17 franchise or privilege tax at the rate of one dollar and fifty cents (\$1.50) per one thousand  
18 dollars (\$1,000) of the total amount of capital stock, surplus and undivided profits as provided  
19 in this section. The tax imposed in this section shall not be less than thirty-five dollars (\$35.00)  
20 and is for the privilege of carrying on, doing business, and/or the continuance of articles of  
21 incorporation or domestication of each corporation in this State. Appraised value of tangible  
22 property including real estate is the ad valorem valuation for the calendar year next preceding  
23 the due date of the franchise tax return. The term "total actual investment in tangible property"  
24 as used in this section means the total original purchase price or consideration to the reporting  
25 taxpayer of its tangible properties, including real estate, in this State plus additions and  
26 improvements thereto less reserve for depreciation as permitted for income tax purposes, and  
27 also less any indebtedness incurred and existing by virtue of the purchase of any real estate and  
28 any permanent improvements made thereon. In computing "total actual investment in tangible  
29 personal property" a corporation may deduct reserves for the entire cost of any air cleaning  
30 device or sewage or waste treatment plant, including waste lagoons, and pollution abatement  
31 equipment purchased or constructed and installed which reduces the amount of air or water  
32 pollution resulting from the emission of air contaminants or the discharge of sewage and  
33 industrial wastes or other polluting materials or substances into the outdoor atmosphere or into  
34 streams, lakes, or rivers, upon condition that the corporation claiming this deduction shall  
35 furnish to the Secretary a certificate from the Department of Environment and Natural  
36 Resources or from a local air pollution control program for air cleaning devices located in an  
37 area where the Environmental Management Commission has certified a local air pollution  
38 control program pursuant to G.S. 143-215.112 certifying that said Department or local air  
39 pollution control program has found as a fact that the air cleaning device, waste treatment plant  
40 or pollution abatement equipment purchased or constructed and installed as above described  
41 has actually been constructed and installed and that the device, plant or equipment complies  
42 with the requirements of the Environmental Management Commission or local air pollution  
43 control program with respect to the devices, plants or equipment, that the device, plant or  
44 equipment is being effectively operated in accordance with the terms and conditions set forth in  
45 the permit, certificate of approval, or other document of approval issued by the Environmental  
46 Management Commission or local air pollution control program and that the primary purpose is  
47 to reduce air or water pollution resulting from the emission of air contaminants or the discharge  
48 of sewage and waste and not merely incidental to other purposes and functions. The cost of  
49 constructing facilities of any private or public utility built for the purpose of providing sewer  
50 service to residential and outlying areas is treated as deductible for the purposes of this section;

1 ~~the deductible liability allowed by this section applies only with respect to pollution abatement~~  
2 ~~plants or equipment constructed or installed on or after January 1, 1955 purposes."~~

3 **SECTION 1.4.(e)** Subsections (a) and (b) of this section are effective for taxable  
4 years beginning on or after January 1, 2016. Subsections (c) and (d) of this section are effective  
5 for taxable years beginning on or after January 1, 2017. The remainder of this section is  
6 effective when this act becomes law.

## 7 **PART II. PERSONAL TAX CHANGES**

8 **SECTION 2.1.(a)** G.S. 105-153.5(a) reads as rewritten:

9  
10 "(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may  
11 deduct from adjusted gross income either the standard deduction amount provided in  
12 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)  
13 of this subsection that the taxpayer claimed under the Code. The deduction amounts are as  
14 follows:

15 ...  
16 (2) Itemized deduction amount. – An amount equal to the sum of the items listed  
17 in this subdivision. The amounts allowed under this subdivision are not  
18 subject to the overall limitation on itemized deductions under section 68 of  
19 the Code:

20 ...  
21 c. The amount claimed under section 67(b)(9) of the Code related to  
22 when a taxpayer restores a substantial amount held under claim of  
23 right, less (i) the limitation provided under section 67(a) of the Code  
24 minus (ii) all other items deductible under section 67(b) of the Code,  
25 not to exceed the limitation provided under section 67(a) of the  
26 Code."

27 **SECTION 2.1.(b)** G.S. 105-153.5(b) is amended by adding a new subdivision to  
28 read:

29 "(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may  
30 deduct from the taxpayer's adjusted gross income any of the following items that are included  
31 in the taxpayer's adjusted gross income:

32 ...  
33 (10) The amount added to federal taxable income under section 108(i)(1) of the  
34 Code. This deduction applies to taxable years beginning on or after January  
35 1, 2014."

36 **SECTION 2.1.(c)** This section is effective for taxable years beginning on or after  
37 January 1, 2014.

38 **SECTION 2.2.(a)** G.S. 105-153.5(c) is amended by adding a new subdivision to  
39 read:

40 "(c) Additions. – In calculating North Carolina taxable income, a taxpayer must add to  
41 the taxpayer's adjusted gross income any of the following items that are not included in the  
42 taxpayer's adjusted gross income:

43 ...  
44 (6) The amount of net operating loss carried to and deducted on the federal  
45 return but not absorbed in that year and carried forward to a subsequent  
46 year."

47 **SECTION 2.2.(b)** This section is effective for taxable years beginning on or after  
48 January 1, 2015.

49 **SECTION 2.3.** G.S. 105-163.1 reads as rewritten:

### 50 **"§ 105-163.1. Definitions.**

51 The following definitions apply in this Article:

- 1           ...
- 2           (6)    Individual. – Defined in ~~G.S. 105-134.1~~G.S. 105-153.3.
- 3           ...
- 4           (13)   Wages. – The term has the same meaning as in section 3401 of the Code
- 5           except it does not include the either of the following:
- 6           a.       ~~The amount of severance wages paid to an employee during the~~
- 7           ~~taxable year that is exempt from State income tax for that taxable~~
- 8           ~~year under G.S. 105-134.6(b)(11).~~
- 9           b.       ~~The amount an employer pays an employee as reimbursement for~~
- 10          ~~ordinary and necessary expenses incurred by the employee on behalf~~
- 11          ~~of the employer and in the furtherance of the business of the~~
- 12          ~~employer.~~

13           ...."

14           **SECTION 2.4.(a)** G.S. 105-269.7 is repealed.

15           **SECTION 2.4.(b)** This section is effective for taxable years beginning on or after  
 16   January 1, 2015.

17

18   **PART III. SALES TAX CHANGES**

19           **SECTION 3.1.** Section 2.4 of S.L. 2014-66 reads as rewritten:

20           "**SECTION 2.4.** ~~Sections 2.1~~Section 2.1 of this act becomes effective July 1, 2013.

21           Sections 2.2 through 2.4 of this act become effective July 1, 2014. The remainder of this act is

22           effective when it becomes law."

23           **SECTION 3.2.(a)** G.S. 105-164.3 reads as rewritten:

24   "**§ 105-164.3. Definitions.**

25           The following definitions apply in this Article:

- 26           ...
- 27           (3)    ~~Clothing.— All human wearing apparel suitable for general use including~~
- 28           ~~coats, jackets, hats, hosiery, scarves, and shoes.~~
- 29           (4)    ~~Clothing accessories or equipment.— Incidental items worn on the person or~~
- 30           ~~in conjunction with clothing including jewelry, cosmetics, eyewear, wallets,~~
- 31           ~~and watches.~~
- 32           ...
- 33           (8g)   ~~Energy Star qualified product.— A product that meets the energy efficient~~
- 34           ~~guidelines set by the United States Environmental Protection Agency and the~~
- 35           ~~United States Department of Energy and is authorized to carry the Energy~~
- 36           ~~Star label.~~
- 37           ...
- 38           (25a)   ~~Operator. – A person provided with the lease or rental of tangible personal~~
- 39           ~~property or a motor vehicle to operate, drive, or maneuver the tangible~~
- 40           ~~personal property or motor vehicle and whose presence, skill, knowledge,~~
- 41           ~~and expertise are necessary to bring about a desired or appropriate effect.~~
- 42           ~~The person must do more than calibrate, test, analyze, research, probe, or~~
- 43           ~~monitor the tangible personal property or motor vehicle.~~
- 44           (25a)(25b) ~~Other direct mail. – Any direct mail that is not advertising and~~
- 45           ~~promotional mail regardless of whether advertising and promotional direct~~
- 46           ~~mail is included in the same mailing.~~
- 47           (25b)(25c) ~~Over-the-counter drug. – A drug that contains a label that identifies the~~
- 48           ~~product as a drug as required by 21 C.F.R. § 201.66. The label includes~~
- 49           ~~either of the following:~~
- 50           a.       A "Drug Facts" panel.

- 1                   b.       A statement of its active ingredients with a list of those ingredients
- 2                                contained in the compound, substance, or preparation.
- 3                   ...
- 4                   (28)   Prepared food. – Food that meets at least one of the conditions of this
- 5                                subdivision. Prepared food does not include food the retailer sliced,
- 6                                repackaged, or pasteurized but did not heat, mix, or sell with eating utensils.
- 7                   ...
- 8                   c.       It is sold with eating utensils provided by the retailer, such as plates,
- 9                                knives, forks, spoons, glasses, cups, napkins, and straws. A plate
- 10                               does not include a container or packaging used to transport the food.
- 11                   ...
- 12                   ~~(37b) School instructional material. — Written material commonly used by a~~
- 13                               ~~student in a course of study as a reference and to learn the subject being~~
- 14                               ~~taught. The following is an all-inclusive list:~~
- 15                               a.       ~~Reference books.~~
- 16                               b.       ~~Reference maps and globes.~~
- 17                               c.       ~~Textbooks.~~
- 18                               d.       ~~Workbooks.~~
- 19                   ~~(37d) School supply. — An item that is commonly used by a student in the course~~
- 20                               ~~of study and is considered a "school supply" or "school art supply" under the~~
- 21                               ~~Streamlined Agreement.~~
- 22                   ...
- 23                   ~~(42) Sport or recreational equipment. — Items designed for human use and worn~~
- 24                               ~~in conjunction with an athletic or recreational activity that are not suitable~~
- 25                               ~~for general use including ballet shoes, cleated athletic shoes, shin guards,~~
- 26                               ~~and ski boots.~~
- 27                   ...
- 28                   (45a) Streamlined Agreement. – The Streamlined Sales and Use Tax Agreement as
- 29                               amended as of ~~October 30, 2013~~ May 13, 2015.
- 30                   ...."

**SECTION 3.2.(b)** G.S. 105-164.3 reads as rewritten:

**"§ 105-164.3. Definitions.**

The following definitions apply in this Article:

- 33                   ...
- 34                   (43)   State agency. – A unit of the executive, legislative, or judicial branch of
- 35                               State government, such as a department, a commission, a board, a council, or
- 36                               The University of North Carolina. The term does not include a local board of
- 37                               ~~education.~~ education, an occupational licensing board as defined in
- 38                               G.S. 93B-1, or any State governmental entity listed in G.S. 105-164.14(c) or
- 39                               G.S. 105-521.2.
- 40                   (44)   Storage. – The keeping or retention in this State for any purpose, except sale
- 41                               in the regular course of business, of tangible personal property or digital
- 42                               property for any period of time purchased from a person in business. ~~retailer.~~
- 43                               ~~The term does not include a purchaser's storage of tangible personal property~~
- 44                               ~~or digital property in any of the following circumstances:~~
- 45                               a.       ~~When the purchaser is able to document that at the time the purchaser~~
- 46                               ~~acquires the property the property is designated for the purchaser's~~
- 47                               ~~use outside the State and the purchaser subsequently takes it outside~~
- 48                               ~~the State and uses it solely outside the State.~~
- 49                               b.       ~~When the purchaser acquires the property to process, fabricate,~~
- 50                               ~~manufacture, or otherwise incorporate it into or attach it to other~~
- 51

1 property for the purchaser's use outside the State and, after  
2 incorporating or attaching the purchased property, the purchaser  
3 subsequently takes the other property outside the State and uses it  
4 solely outside the State.

5 ...."

6 **SECTION 3.2.(c)** Subsection (b) of this section becomes effective January 1, 2016.  
7 The remainder of this section is effective when this act becomes law.

8 **SECTION 3.3.** G.S. 105-164.4B(e) reads as rewritten:

9 "(e) Accommodations. – The rental of an accommodation, as defined in  
10 ~~G.S. 105-164.4(a)(3)~~, G.S. 105-164.4F, is sourced to the location of the accommodation."

11 **SECTION 3.4.** G.S. 105-164.4G(b) reads as rewritten:

12 "(b) Tax. – The gross receipts derived from an admission charge to an entertainment  
13 activity are taxed at the general rate set in G.S. 105-164.4. The tax is due and payable by the  
14 retailer in accordance with G.S. 105-164.16. For purposes of the tax imposed by this section,  
15 the retailer is the applicable person listed below:

- 16 (1) The operator of the venue where the entertainment activity occurs, unless the  
17 retailer and the facilitator have a contract between them allowing for dual  
18 remittance, as provided in subsection (d) of this section.
- 19 (2) The person that provides the entertainment and that receives admission  
20 charges directly from a purchaser.
- 21 (3) A person other than a person listed in subdivision (1) or (2) of this  
22 subsection that receives gross receipts derived from an admission charge  
23 sold at retail."

24 **SECTION 3.5.** G.S. 105-164.4H(b) reads as rewritten:

25 "(b) Retailer-Contractor. – This section applies to a retailer-contractor when the  
26 retailer-contractor acts as a real property contractor. A retailer-contractor that purchases  
27 tangible personal property to be installed or ~~affixed~~ applied to real property may purchase items  
28 exempt from tax under a certificate of exemption pursuant to G.S. 105-164.28 provided the  
29 retailer-contractor also purchases inventory items from the seller for resale. When the tangible  
30 personal property is withdrawn from inventory and installed or ~~affixed~~ applied to real property,  
31 use tax must be accrued and paid on the retailer-contractor's purchase price of the tangible  
32 personal property. Tangible personal property that the retailer-contractor withdraws from  
33 inventory for use that does not become part of real property is also subject to the tax imposed  
34 by this Article.

35 If a retailer-contractor subcontracts any part of the real property contract, tax is payable by  
36 the subcontractor on the subcontractor's purchase of the tangible personal property that is  
37 installed or ~~affixed~~ applied to real property in fulfilling the contract. The retailer-contractor, the  
38 subcontractor, and the owner of the real property are jointly and severally liable for the tax. The  
39 liability of a retailer-contractor, a subcontractor, or an owner who did not purchase the property  
40 is satisfied by receipt of an affidavit from the purchaser certifying that the tax has been paid."

41 **SECTION 3.6.** G.S. 105-164.4I(a)(3) reads as rewritten:

42 "(a) Tax. – The sales price of or the gross receipts derived from a service contract or the  
43 renewal of a service contract sold at retail is subject to the general rate of tax set in  
44 G.S. 105-164.4 and is sourced in accordance with the sourcing principles in G.S. 105-164.4B.  
45 The retailer of a service contract is required to collect the tax due at the time of the retail sale of  
46 the contract and is liable for payment of the tax. The tax is due and payable in accordance with  
47 G.S. 105-164.16.

48 The retailer of a service contract is the applicable person listed below:

49 ...

- 50 (3) When a service contract is sold at retail to a purchaser by a facilitator on  
51 behalf of the obligor under the contract and there is an agreement between

1 the facilitator and the obligor that states the obligor will be liable for the  
 2 payment of the tax, the obligor is the retailer. The facilitator must send the  
 3 retailer the tax due on the sales price of or gross receipts derived from the  
 4 service contract no later than 10 days after the end of each calendar month.  
 5 The retailer must report for the prior reporting period all tax received from  
 6 the facilitator on or after the first day of the month but before the tenth day  
 7 of the month. A facilitator that does not send the retailer the tax due on the  
 8 sales price or gross receipts is liable for the amount of tax the facilitator fails  
 9 to send. A facilitator is not liable for tax sent to a retailer but not remitted by  
 10 the retailer to the Secretary. Tax payments received by a retailer from a  
 11 facilitator are held in trust by the retailer for remittance to the Secretary. A  
 12 retailer that receives a tax payment from a facilitator must remit the amount  
 13 received to the Secretary. A retailer is not liable for tax due but not received  
 14 from a facilitator. The requirements imposed by this subdivision on a retailer  
 15 and a facilitator are considered terms of the agreement between the retailer  
 16 and the facilitator."

17 **SECTION 3.7.(a)** G.S. 105-164.13 is amended by adding a new subdivision to  
 18 read:

19 **"§ 105-164.13. Retail sales and use tax.**

20 The sale at retail and the use, storage, or consumption in this State of the following tangible  
 21 personal property, digital property, and services are specifically exempted from the tax imposed  
 22 by this Article:

23 ...

24 (65) A transmission, engine, or rear-end gears leased or rented by a professional  
 25 motorsports racing team or a related member of a team for use in  
 26 competition in a sanctioned race series. This subdivision expires January 1,  
 27 2020."

28 **SECTION 3.7.(b)** G.S. 105-164.4I(b)(3) reads as rewritten:

29 "(b) Exemptions. – The tax imposed by this section does not apply to the sales price of  
 30 or the gross receipts derived from a service contract applicable to any of the following items:

31 ...

32 (3) An item purchased by a professional motorsports racing team or a related  
 33 member of a team for which the team may receive a sales tax refund under  
 34 G.S. 105-164.14A(a)(5)."

35 **SECTION 3.7.(c)** G.S. 105-164.14A(a) reads as rewritten:

36 "(a) Refund. – The following taxpayers are allowed an annual refund of sales and use  
 37 taxes paid under this Article:

38 ...

39 (5) Professional motorsports team. – A professional motorsports racing team or  
 40 a related member of a team is allowed a refund ~~of fifty percent (50%) equal~~  
 41 to the applicable percentage of the sales and use tax paid by it in this State  
 42 on tangible personal property, other than tires or accessories, that comprises  
 43 any part of a professional motorsports vehicle. For purposes of this  
 44 subdivision, "motorsports accessories" includes instrumentation, telemetry,  
 45 consumables, and paint. This subdivision is repealed for purchases made on  
 46 or after ~~January 1, 2016~~ January 1, 2020. The applicable percentage varies  
 47 based upon the calendar year in which the item is purchased. The applicable  
 48 percentage is as follows:

<u>Year of Purchase</u>	<u>Applicable Percentage</u>
<u>2016</u>	<u>50%</u>
<u>2017</u>	<u>37.5%</u>

1	<u>2018</u>	<u>25%</u>
2	<u>2019</u>	<u>12.5%</u>

3 ...."

4 **SECTION 3.7.(d)** Subsection (b) of this section becomes effective January 1,  
5 2014, and applies to service contracts purchased on or after that date. The remainder of this  
6 section is effective when this act becomes law.

7 **SECTION 3.8.(a)** G.S. 105-164.4D(b) reads as rewritten:

8 "(b) Determining Threshold. – A retailer of a bundled transaction subject to this section  
9 may use either the retailer's ~~cost~~purchase price or the retailer's sales price to determine if the  
10 transaction meets the fifty percent (50%) test or the ten percent (10%) test set out in  
11 subdivisions (a)(1) and (a)(3) of this section. A retailer may not use a combination of ~~cost~~  
12 purchase price and sales price to make this determination. If a bundled transaction subject to  
13 subdivision (a)(3) of this section includes a service contract, the retailer must use the full term  
14 of the contract in determining whether the transaction meets the threshold set in the  
15 subdivision."

16 **SECTION 3.8.(b)** G.S. 105-468 reads as rewritten:

17 "**§ 105-468. Scope of use tax.**

18 The use tax authorized by this Article is a tax at the rate of one percent (1%) of the ~~cost~~  
19 purchase price of each item or article of tangible personal property that is not sold in the taxing  
20 county but is used, consumed, or stored for use or consumption in the taxing county. The tax  
21 applies to the same items that are subject to tax under G.S. 105-467. The collection and  
22 administration of this tax shall be in accordance with Article 5 of Chapter 105 of the General  
23 Statutes.

24 Where a local sales or use tax was due and has been paid with respect to tangible personal  
25 property by the purchaser in another taxing county within the State, or where a local sales or  
26 use tax was due and has been paid in a taxing jurisdiction outside the State where the purpose  
27 of the tax is similar in purpose and intent to the tax which may be imposed pursuant to this  
28 Article, the tax paid may be credited against the tax imposed under this section by a taxing  
29 county upon the same property. If the amount of sales or use tax so paid is less than the amount  
30 of the use tax due the taxing county under this section, the purchaser shall pay to the Secretary  
31 an amount equal to the difference between the amount so paid in the other taxing county or  
32 jurisdiction and the amount due in the taxing county. The Secretary may require such proof of  
33 payment in another taxing county or jurisdiction as is deemed to be necessary. The use tax  
34 levied under this Article is not subject to credit for payment of any State sales or use tax not  
35 imposed for the benefit and use of counties and municipalities. No credit shall be given under  
36 this section for sales or use taxes paid in a taxing jurisdiction outside this State if that taxing  
37 jurisdiction does not grant similar credit for sales taxes paid under this Article."

38 **SECTION 3.8.(c)** G.S. 105-471 reads as rewritten:

39 "**§ 105-471. Retailer to collect sales tax.**

40 Every retailer whose place of business is in a taxing county shall on and after the levy of the  
41 tax herein authorized collect the one percent (1%) local sales tax provided by this Article.

42 The tax to be collected under this Article shall be collected as a part of the sales price of the  
43 item of tangible personal property sold, the ~~cost~~purchase price of the item of tangible personal  
44 property used, or as a part of the charge for the rendering of any services, renting or leasing of  
45 tangible personal property, or the furnishing of any accommodation taxable hereunder. The tax  
46 shall be stated and charged separately from the sales price or ~~cost~~purchase price and shall be  
47 shown separately on the retailer's sales record and shall be paid by the purchaser to the retailer  
48 as trustee for and on account of the State or county wherein the tax is imposed. It is the intent  
49 and purpose of this Article that the local sales and use tax herein authorized to be imposed and  
50 levied by a taxing county shall be added to the sales price and that the tax shall be passed on to  
51 the purchaser instead of being borne by the retailer. The Secretary of Revenue shall design,



1 print and furnish to all retailers in a taxing county in which he shall collect and administer the  
2 tax the necessary forms for filing returns and instructions to insure the full collection from  
3 retailers, and the Secretary may adapt the present form used for the reporting and collecting of  
4 the State sales and use tax to this purpose."

5 **SECTION 3.9.(a)** G.S. 105-164.12B reads as rewritten:

6 "**§ 105-164.12B. Tangible personal property sold below cost with conditional service**  
7 **contract.**

8 (a) ~~Conditional Service-Contract Defined.~~ – A conditional ~~service~~-contract is a contract  
9 in which all of the following conditions are met:

- 10 (1) A seller transfers an item of tangible personal property to a consumer on the  
11 condition that the consumer enter into an agreement to purchase services on  
12 an ongoing basis for a minimum period of at least six months.  
13 (2) The agreement requires the consumer to pay a cancellation fee to the seller if  
14 the consumer cancels the contract for services within the minimum period.  
15 (3) For the item transferred, the seller charges the consumer a price that, after  
16 any price reduction the seller gives the consumer, is below the purchase  
17 price the seller paid for the item. The seller's purchase price is presumed to  
18 be no greater than the price the seller paid, as shown on the seller's purchase  
19 invoice, for the same item within 12 months before the seller entered into the  
20 conditional ~~service~~-contract.

21 (b) ~~Tax.~~ – If a seller transfers an item of tangible personal property as part of a  
22 conditional ~~service~~-contract, a sale has occurred. The sales price of the item is presumed to be  
23 the retail price at which the item would sell in the absence of the conditional ~~service~~-contract.  
24 Sales tax at the general rate under G.S. 105-164.4(a) is due at the time of the transfer on the  
25 following:

- 26 (1) Any part of the presumed sales price the consumer pays at that time, if the  
27 service in the contract is taxable at the combined general rate.  
28 (2) The presumed sales price, if the service in the contract is not taxable at the  
29 combined general rate.  
30 (3) The percentage of the presumed sales price that is equal to the percentage of  
31 the service in the contract that is not taxable at the combined general rate, if  
32 any part of the service in the contract is not taxable at the combined general  
33 rate.

34 (c)-(f) Repealed by Session Laws 2007-244, s. 3, effective October 1, 2007."

35 **SECTION 3.9.(b)** G.S. 105-467(a) is amended by adding a new subdivision to  
36 read:

37 "(a) ~~Sales Tax.~~ – The sales tax that may be imposed under this Article is limited to a tax  
38 at the rate of one percent (1%) of the following:

- 39 ...  
40 (8) The presumed sales price of an item of tangible personal property under  
41 G.S. 105-164.12B."

42 **SECTION 3.10.(a)** G.S. 105-164.13(34) is repealed.

43 **SECTION 3.10.(b)** G.S. 105-164.13 is amended by adding a new subdivision to  
44 read:

45 "**§ 105-164.13. Retail sales and use tax.**

46 The sale at retail and the use, storage, or consumption in this State of the following tangible  
47 personal property, digital property, and services are specifically exempted from the tax imposed  
48 by this Article:

- 49 ...  
50 (26b) Food, prepared food, soft drinks, candy, and other items of tangible personal  
51 property sold not for profit for or at an event that is sponsored by an

1 elementary or secondary school when the net proceeds of the sales will be  
2 given or contributed to the school or to a nonprofit charitable organization,  
3 one of whose purposes is to serve as a conduit through which the net  
4 proceeds will flow to the school. For purposes of this exemption, the term  
5 "school" is an entity regulated under Chapter 115C of the General Statutes.

6 ...."

7 **SECTION 3.10.(c)** This section becomes effective January 1, 2016, and applies to  
8 sales made on or after that date.

9 **SECTION 3.11.** G.S. 105-164.13(49), (49a), and (59) read as rewritten:

10 **"§ 105-164.13. Retail sales and use tax.**

11 The sale at retail and the use, storage, or consumption in this State of the following tangible  
12 personal property, digital property, and services are specifically exempted from the tax imposed  
13 by this Article:

14 ...

15 (49) Installation charges when the charges are separately stated and identified as  
16 such on an invoice or similar billing document given to the purchaser at the  
17 time of sale.

18 (49a) Delivery charges for delivery of direct mail if the charges are separately  
19 stated and identified as such on an invoice or similar billing document given  
20 to the purchaser at the time of sale.

21 ...

22 (59) Interior design services provided in conjunction with the sale of tangible  
23 personal ~~property~~ property when the charges are separately stated and  
24 identified as such on an invoice or similar billing document given to the  
25 purchaser at the time of sale."

26 **SECTION 3.12.(a)** G.S. 105-164.13 reads as rewritten:

27 **"§ 105-164.13. Retail sales and use tax.**

28 The sale at retail and the use, storage, or consumption in this State of the following tangible  
29 personal property, digital property, and services are specifically exempted from the tax imposed  
30 by this Article:

31 ...

32 (52) Items subject to sales and use tax under G.S. 105-164.4, other than  
33 electricity, telecommunications service, and ancillary service as defined in  
34 ~~G.S. 105-164.4, G.S. 105-164.3~~, if all of the following conditions are met:

35 ...

36 (57) ~~Fuel and electricity~~ Fuel, electricity, and piped natural gas sold to a  
37 manufacturer for use in connection with the operation of a manufacturing  
38 facility. The exemption does not apply to the following:

- 39 a. electricity Electricity used at a facility at which the primary activity  
40 is not manufacturing.  
41 b. Fuel or piped natural gas that is not used directly in a manufacturing  
42 process.

43 ...."

44 **SECTION 3.12.(b)** This section becomes effective January 1, 2016.

45 **SECTION 3.13.(a)** G.S. 105-164.13E(c), as enacted by S.L. 2015-6, reads as  
46 rewritten:

47 "(c) Contract with a Farmer. – A qualifying item listed in subdivisions (5), (8), and (9) of  
48 subsection (a) of this section purchased to fulfill a contract with a person who holds a  
49 qualifying farmer exemption certificate or a conditional farmer exemption certificate issued  
50 under G.S. 105-164.28A is exempt from sales and use tax to the same extent as if purchased  
51 directly by the person who holds the exemption certificate. A contractor that purchases one of

1 the items allowed an exemption under this section must provide an exemption certificate to the  
2 retailer that includes the name of the ~~agricultural-qualifying farmer or conditional farmer~~  
3 exemption certificate holder and the ~~agricultural-qualifying farmer or conditional farmer~~  
4 exemption certificate number issued to that holder."

5 **SECTION 3.13.(b)** Section 2.13(b) of S.L. 2015-6 reads as rewritten:

6 "**SECTION 2.13.(b)** This section becomes effective July 1, 2014. A contractor who paid  
7 sales and use tax on an item exempt from sales and use tax pursuant to ~~G.S. 105-164.13(e),~~  
8 G.S. 105-164.13E(c), as enacted by this section, may request a refund from the retailer, and the  
9 retailer may, upon issuance of the refund or credit, request a refund for the overpayment of tax  
10 under G.S. 105-164.11(a)(1)."

11 **SECTION 3.14.** Notwithstanding G.S. 105-164.14A(a)(1), an interstate passenger  
12 air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of one million  
13 two hundred fifty thousand dollars (\$1,250,000) for the period beginning July 1, 2015, and  
14 ending December 31, 2015.

15 **SECTION 3.15.(a)** G.S. 105-164.14(b) reads as rewritten:

16 "(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual  
17 refund of sales and use taxes paid by it under this Article on direct purchases of tangible  
18 personal property and services for use in carrying on the work of the nonprofit entity. ~~Sales~~  
19 Except as provided below, sales and use tax liability indirectly incurred by a nonprofit entity  
20 through reimbursement to an authorized person of the entity for the purchase of tangible  
21 personal property and services for use in carrying on the work of the nonprofit entity is  
22 considered a direct purchase by the entity. Sales and use tax liability indirectly incurred by a  
23 nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of  
24 or annexed to any building or structure that is owned or leased by the nonprofit entity and is  
25 being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit  
26 activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit  
27 entity. The refund allowed under this subsection does not apply to purchases of electricity,  
28 telecommunications service, ancillary service, piped natural gas, video programming, or a  
29 prepaid meal plan. The refund allowed under this subsection does not apply to purchases of  
30 prepared food or accommodation rentals for an employee or other authorized person unless the  
31 purchase is made directly by the nonprofit entity. A request for a refund must be in writing and  
32 must include any information and documentation required by the Secretary. A request for a  
33 refund for the first six months of a calendar year is due the following October 15; a request for a  
34 refund for the second six months of a calendar year is due the following April 15. The  
35 aggregate annual refund amount allowed an entity under this subsection for a fiscal year may  
36 not exceed thirty-one million seven hundred thousand dollars (\$31,700,000).

37 The refunds allowed under this subsection do not apply to an entity that is owned and  
38 controlled by the United States or to an entity that is owned or controlled by the State and is not  
39 listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual  
40 refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying  
41 out its work. The following nonprofit entities are allowed a refund under this subsection:

42 "...."

43 **SECTION 3.15.(b)** G.S. 105-164.14(b), as amended by subsection (a) of this  
44 section, reads as rewritten:

45 "(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual  
46 refund of sales and use taxes paid by it under this Article on direct purchases of tangible  
47 personal property and services for use in carrying on the work of the nonprofit entity. ~~Except as~~  
48 ~~provided below, sales and use tax liability indirectly incurred by a nonprofit entity through~~  
49 ~~reimbursement to an authorized person of the entity for the purchase of tangible personal~~  
50 ~~property and services for use in carrying on the work of the nonprofit entity is considered a~~  
51 ~~direct purchase by the entity. Sales and use tax liability indirectly incurred by a nonprofit entity~~

1 on building materials, supplies, fixtures, and equipment that become a part of or annexed to any  
2 building or structure that is owned or leased by the nonprofit entity and is being erected,  
3 altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is  
4 considered a sales or use tax liability incurred on direct purchases by the nonprofit entity. The  
5 refund allowed under this subsection does not apply to purchases of electricity,  
6 telecommunications service, ancillary service, piped natural gas, video programming, or a  
7 prepaid meal plan. The refund allowed under this subsection does not apply to purchases of  
8 prepared food or accommodation rentals for an employee or other authorized person unless the  
9 purchase is made directly by the nonprofit entity. A request for a refund must be in writing and  
10 must include any information and documentation required by the Secretary. A request for a  
11 refund for the first six months of a calendar year is due the following October 15; a request for  
12 a refund for the second six months of a calendar year is due the following April 15. The  
13 aggregate annual refund amount allowed an entity under this subsection for a fiscal year may  
14 not exceed thirty-one million seven hundred thousand dollars (\$31,700,000).

15 The refunds allowed under this subsection do not apply to an entity that is owned and  
16 controlled by the United States or to an entity that is owned or controlled by the State and is not  
17 listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual  
18 refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying  
19 out its work. The following nonprofit entities are allowed a refund under this subsection:

20 ...."

21 **SECTION 3.15.(c)** Subsection (b) of this section becomes effective July 1, 2016,  
22 and applies to purchases made on or after that date. The remainder of this section is effective  
23 when this act becomes law.

24 **SECTION 3.16.** G.S. 105-164.14A(a)(3) is repealed.

25 **SECTION 3.17.** G.S. 105-164.22 reads as rewritten:

26 "**§ 105-164.22. Record-keeping requirements, inspection authority, and effect of failure to**  
27 **keep records.**

28 Retailers, wholesale merchants, and consumers must keep ~~for a period of three years~~  
29 records that establish their tax liability under this Article. The Secretary or a person designated  
30 by the Secretary may inspect these records at any reasonable time during the day.

31 A retailer's records must include records of the retailer's gross income, gross sales, net  
32 taxable sales, and all items purchased for resale. Failure of a retailer to keep records that  
33 establish that a sale is exempt under this Article subjects the retailer to liability for tax on the  
34 sale.

35 A wholesale merchant's records must include a bill of sale for each customer that contains  
36 the name and address of the purchaser, the date of the purchase, the item purchased, and the  
37 price at which the wholesale merchant sold the item. Failure of a wholesale merchant to keep  
38 these records for the sale of an item subjects the wholesale merchant to liability for tax at the  
39 rate that applies to the retail sale of the item.

40 A consumer's records must include an invoice or other statement of the purchase price of an  
41 item the consumer purchased from outside the State. Failure of the consumer to keep these  
42 records subjects the consumer to liability for tax on the purchase price of the item, as  
43 determined by the Secretary."

44 **SECTION 3.18.** G.S. 105-164.30 reads as rewritten:

45 "**§ 105-164.30. Secretary or agent may examine books, etc.**

46 For the purpose of enforcing the collection of the tax levied by this Article, the Secretary or  
47 his duly authorized agent is authorized to examine at all reasonable hours during the day the  
48 books, papers, records, documents or other data of all retailers or wholesale merchants bearing  
49 upon the correctness of any return or for the purpose of filing a return where none has been  
50 made as required by this Article, and may require the attendance of any person and take his  
51 testimony with respect to any such matter, with power to administer oaths to such person or

1 persons. If any person summoned as a witness fails to obey any summons to appear before the  
 2 Secretary or his authorized agent, or refuses to testify or answer any material question or to  
 3 produce any book, record, paper, or other data when required to do so, the Secretary or his  
 4 authorized agent shall report the failure or refusal to the Attorney General or the district  
 5 solicitor, who shall thereupon institute proceedings in the superior court of the county where  
 6 the witness resides to compel obedience to any summons of the Secretary or his authorized  
 7 agent. Officers who serve summonses or subpoenas, and witnesses attending, shall receive like  
 8 compensation as officers and witnesses in the superior courts, to be paid from the proper  
 9 appropriation for the administration of this Article.

10 In the event any retailer or wholesale merchant fails or refuses to permit the Secretary or his  
 11 authorized agent to examine his books, papers, accounts, records, documents or other data, the  
 12 Secretary may require the retailer or wholesale merchant to show cause before the superior  
 13 court of the county in which said taxpayer resides or has its principal place of business as to  
 14 why the books, records, papers, ~~or documents~~ documents, or data should not be examined and  
 15 the superior court shall have jurisdiction to enter an order requiring the production of all  
 16 necessary books, records, papers, ~~or documents~~ documents, or data and to punish for contempt  
 17 any person who violates the order."

18 **SECTION 3.19.(a)** G.S. 105-164.42L reads as rewritten:

19 "**§ 105-164.42L. Liability relief for erroneous information or insufficient notice by**  
 20 **Department.**

21 (a) The Secretary may develop databases that provide information on the boundaries of  
 22 taxing jurisdictions and the tax rates applicable to those taxing jurisdictions. A person who  
 23 relies on the information provided in these databases is not liable for underpayments of tax  
 24 attributable to erroneous information provided by the Secretary in those ~~databases~~ databases  
 25 until 10 business days after the date of notification by the Secretary.

26 (b) The Secretary may develop a taxability matrix that provides information on the  
 27 taxability of certain ~~items~~ items or certain tax administration practices. A person who relies on  
 28 the information provided in the taxability matrix is not liable for underpayments of tax  
 29 attributable to erroneous information provided by the Secretary in the taxability ~~matrix~~ until 10  
 30 business days after the date of notification by the Secretary.

31 ...."

32 **SECTION 3.19.(b)** G.S. 105-466(c) reads as rewritten:

33 "(c) Collection of the tax, and liability therefor, must begin and continue only on and  
 34 after the first day of a calendar quarter, as set by the board of county commissioners in the  
 35 resolution levying the tax. ~~In no event may the tax be imposed, or the tax rate changed, earlier~~  
 36 ~~than the first day of the second succeeding calendar month after the date of the adoption of the~~  
 37 ~~resolution.~~ The county must give the Secretary at least 90 days advance notice of a new tax  
 38 levy or tax rate change. The applicability of a new tax or a tax rate change to purchases from  
 39 printed catalogs becomes effective on the first day of a calendar quarter after a minimum of 120  
 40 days from the date the Secretary notifies the seller that receives orders by means of a catalog or  
 41 similar publication of the new tax or tax rate change. A local rate increase may only be  
 42 effective on the first day of a calendar quarter after a minimum of 60 days' notice to sellers by  
 43 the Secretary."

44 **SECTION 3.20.** G.S. 105-164.42I(b) reads as rewritten:

45 "(b) Contract. – The Secretary may contract or authorize in writing the Streamlined Sales  
 46 Tax Governing Board to contract on behalf of the Secretary with a certified service provider for  
 47 the collection and remittance of sales and use taxes. A certified service provider must file with  
 48 the Secretary or the Streamlined Sales Tax Governing Board ~~a bond or an irrevocable letter of~~  
 49 ~~credit~~ one of the following in the amount set by the Secretary: Secretary: (i) a bond; (ii) an  
 50 irrevocable letter of credit; or (iii) evidence of a certificate of deposit. A ~~bond or bond,~~  
 51 irrevocable letter of ~~credit~~ credit, or certificate of deposit must be conditioned upon compliance

1 with the contract, be payable to the State or the Streamlined Sales Tax Governing Board, and  
2 be in the form required by the ~~Secretary~~. Secretary or the Streamlined Sales Tax Governing  
3 Board. The amount a certified service provider charges under the contract is a cost of collecting  
4 the tax and is payable from the amount collected."

5 **SECTION 3.21.(a)** G.S. 105-187.1 reads as rewritten:

6 "**§ 105-187.1. Definitions.**

7 The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

- 8 (1) Commissioner. – The Commissioner of Motor Vehicles.  
9 (2) Division. – The Division of Motor Vehicles, Department of Transportation.  
10 (3) Long-term lease or rental. – A lease or rental made under a written  
11 agreement to lease or rent property to the same person for a period of at least  
12 365 continuous days.  
13 (4) Park model RV. – A vehicle that meets all of the following conditions:  
14 a. Is designed and marketed as temporary living quarters for  
15 recreational, camping, travel, or seasonal use.  
16 b. Is certified by the manufacturer as complying with ANSI A119.5.  
17 c. Is built on a single chassis mounted on wheels with a gross trailer  
18 area not exceeding 400 square feet in the setup mode.  
19 ~~(4)~~(5) Recreational vehicle. – Defined in G.S. 20-4.01. The term also includes a  
20 park model RV.  
21 ~~(5)~~(6) Rescue squad. – An organization that provides rescue services, emergency  
22 medical services, or both.  
23 ~~(6)~~(7) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the  
24 business of selling, leasing, or renting motor vehicles.  
25 ~~(7)~~(8) Short-term lease or rental. – A lease or rental that is not a long-term lease or  
26 rental."

27 **SECTION 3.21.(b)** G.S. 105-164.13(32) reads as rewritten:

28 "**§ 105-164.13. Retail sales and use tax.**

29 The sale at retail and the use, storage, or consumption in this State of the following tangible  
30 personal property, digital property, and services are specifically exempted from the tax imposed  
31 by this Article:

- 32 ...  
33 (32) Sales of motor vehicles, the sale of a motor vehicle body to be mounted on a  
34 motor vehicle chassis when a certificate of title has not been issued for the  
35 chassis, and the sale of a motor vehicle body mounted on a motor vehicle  
36 chassis that temporarily enters the State so the manufacturer of the body can  
37 mount the body on the chassis. For purposes of this subdivision, a park  
38 model RV, as defined in G.S. 105-187.1, is a motor vehicle."

39 **SECTION 3.22.** G.S. 105-187.6(c) reads as rewritten:

40 "(c) Out-of-state Vehicles. – A maximum tax of one hundred fifty dollars (\$150.00)  
41 applies when a certificate of title is issued for a motor vehicle that, at the time of applying for a  
42 certificate of title, is and has been titled in the name of the owner of the motor vehicle in  
43 another state for at least 90 days. days prior to the date of application for a certificate of title in  
44 this State."

45 **SECTION 3.23.** G.S. 105-187.21 reads as rewritten:

46 "**§ 105-187.21. Tax imposed.**

47 A privilege tax is imposed on a white goods retailer at a flat rate for each new white good  
48 that is sold by the retailer. An excise tax is imposed on a new white good purchased ~~outside the~~  
49 ~~State~~ for storage, use, or consumption in this State. The rate of the privilege tax and the excise  
50 tax is three dollars (\$3.00). These taxes are in addition to all other taxes."

51 **SECTION 3.24.** G.S. 105-538 reads as rewritten:

1 **"§ 105-538. Administration of taxes.**

2 The Secretary shall, on a monthly basis, allocate to each taxing county the net proceeds of  
3 the tax levied under this Article. If the Secretary collects taxes under this Article in a month and  
4 the taxes cannot be identified as being attributable to a particular taxing county, the Secretary  
5 must allocate the net proceeds of these taxes among the taxing counties in proportion to the  
6 amount of taxes collected in each county under this Article in that month. For purposes of this  
7 Article, the term "net proceeds" has the same meaning as defined in G.S. 105-472.

8 Except as provided in this Article, the adoption, levy, collection, administration, and repeal  
9 of these additional taxes must be in accordance with Article 39 of this Chapter. G.S. 105-468.1  
10 is an administrative provision that applies to this Article. A tax levied under this Article does  
11 not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to  
12 the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). The Secretary  
13 shall not divide the amount allocated to a county between the county and the municipalities  
14 within the county."  
15

16 **PART IV. EXCISE TAX CHANGES**

17 **SECTION 4.1.(a)** G.S. 105-113.13 reads as rewritten:

18 **"§ 105-113.13. Secretary may require a bond or irrevocable letter of credit.**

19 (a) Repealed by Session Laws 2013-414, s. 22(c), effective September 1, 2013.

20 (b) The Secretary may require a distributor to furnish a bond in an amount that  
21 adequately protects the State from loss if the distributor fails to pay taxes due under this Part. A  
22 bond must be conditioned on compliance with this Part, payable to the State, and in the form  
23 required by the Secretary. ~~The Secretary must set the bond amount based on the anticipated tax~~  
24 ~~liability of the distributor.~~The amount of the bond is two times the distributor's average  
25 expected monthly tax liability under this Article, as determined by the Secretary, provided the  
26 amount of the bond may not be less than two thousand dollars (\$2,000) and may not be more  
27 than two million dollars (\$2,000,000). The Secretary should periodically review the sufficiency  
28 of bonds required of the distributor and increase the required bond amount if the amount no  
29 longer covers the anticipated tax liability of the distributor and decrease the amount if the  
30 Secretary finds that a lower bond amount will protect the State adequately from loss.

31 For purposes of this section, a distributor may substitute an irrevocable letter of credit for  
32 the secured bond required by this section. The letter of credit must be issued by a commercial  
33 bank acceptable to the Secretary and available to the State as a beneficiary. The letter of credit  
34 must be in a form acceptable to the Secretary, conditioned upon compliance with this Article,  
35 and in the amounts stipulated in this section."

36 **SECTION 4.1.(b)** G.S. 105-113.38 reads as rewritten:

37 **"§ 105-113.38. Bond or irrevocable letter of credit.**

38 The Secretary may require a wholesale dealer or a retail dealer to furnish a bond in an  
39 amount that adequately protects the State from loss if the dealer fails to pay taxes due under  
40 this Part. A bond must be conditioned on compliance with this Part, payable to the State, and in  
41 the form required by the Secretary. ~~The bond amount must be proportionate to the anticipated~~  
42 ~~tax liability of the wholesale dealer or retail dealer.~~The amount of the bond is two times the  
43 wholesale or retail dealer's average expected monthly tax liability under this Article, as  
44 determined by the Secretary, provided the amount of the bond may not be less than two  
45 thousand dollars (\$2,000) and may not be more than two million dollars (\$2,000,000). The  
46 Secretary should periodically review the sufficiency of bonds required of dealers, and increase  
47 the amount of a required bond when the amount of the bond furnished no longer covers the  
48 anticipated tax liability of the wholesale dealer or retail dealer and decrease the amount when  
49 the Secretary determines that a smaller bond amount will adequately protect the State from  
50 loss.

1 For purposes of this section, a wholesale dealer or a retail dealer may substitute an  
2 irrevocable letter of credit for the secured bond required by this section. The letter of credit  
3 must be issued by a commercial bank acceptable to the Secretary and available to the State as a  
4 beneficiary. The letter of credit must be in a form acceptable to the Secretary, conditioned upon  
5 compliance with this Article, and in the amounts stipulated in this section."

6 **SECTION 4.1.(c)** G.S. 105-113.86 reads as rewritten:

7 "**§ 105-113.86. Bond or irrevocable letter of credit.**

8 (a) Wholesalers and Importers. – A wholesaler or importer must file with the Secretary  
9 a bond ~~in an amount of not less than five thousand dollars (\$5,000). The amount of the bond~~  
10 ~~must be proportionate to the anticipated tax liability of the wholesaler or importer, that~~  
11 adequately protects the State from loss if the wholesaler or importer fails to pay taxes due under  
12 this Article. A bond must be conditioned on compliance with this Article, payable to the  
13 Secretary, and in a form required by the Secretary. The amount of the bond is two times the  
14 wholesaler's or importer's average expected monthly tax liability under this Article, as  
15 determined by the Secretary, provided the amount of the bond may not be less than two  
16 thousand dollars (\$2,000) and may not be more than two million dollars (\$2,000,000). The  
17 Secretary should periodically review the sufficiency of the bonds required under this section.  
18 The Secretary may increase the proportionate amount required, not to exceed fifty thousand  
19 dollars (\$50,000), if the bond furnished no longer covers the taxpayer's anticipated tax liability.  
20 The Secretary may decrease the proportionate amount required when the Secretary determines  
21 that a smaller bond amount will adequately protect the State from loss. The bond must be  
22 conditioned on compliance with this Article, payable to the State, in a form acceptable to the  
23 Secretary, and secured by a corporate surety of wholesalers and importers and increase the  
24 amount of a required bond when the amount of the bond furnished no longer covers the  
25 anticipated tax liability of the wholesaler or importer and decrease the amount when the  
26 Secretary determines that a smaller bond amount will adequately protect the State from loss.

27 (b) Nonresident Vendors. – The Secretary may require the holder of a nonresident  
28 vendor ABC permit to furnish a bond in an amount not to exceed two thousand dollars  
29 (\$2,000). The bond shall be conditioned on compliance with this Article, shall be payable to the  
30 State, shall be in a form acceptable to the Secretary, and shall be secured by a corporate surety  
31 or by a pledge of obligations of the federal government, the State, or a political subdivision of  
32 the State.

33 (c) Letter of Credit. – For purposes of this section, a wholesaler or importer or a  
34 nonresident vendor may substitute an irrevocable letter of credit for the secured bond required  
35 by this section. The letter of credit must be issued by a commercial bank acceptable to the  
36 Secretary and available to the State as a beneficiary. The letter of credit must be in a form  
37 acceptable to the Secretary, conditioned upon compliance with this Article, and in the amounts  
38 stipulated in this section."

39 **SECTION 4.2.** G.S. 105-113.35(a) reads as rewritten:

40 "(a) Tax on Tobacco Products. – An excise tax is levied on tobacco products ~~other than~~  
41 ~~cigarettes and vapor products~~ at the rate of twelve and eight-tenths percent (12.8%) of the cost  
42 price of the products. The tax rate does not apply to the following:

43 (1) Cigarettes subject to the tax in G.S. 105-113.5.

44 (2) Vapor products subject to the tax in subsection (a1) of this section."

45 **SECTION 4.3.** G.S. 105-113.83(b) reads as rewritten:

46 "(b) Beer and Wine. – The excise taxes on malt beverages and wine levied under  
47 G.S. 105-113.80(a) and (b), respectively, are payable to the Secretary by the resident  
48 wholesaler or importer who first handles the beverages in this State. The excise taxes levied  
49 under G.S. 105-113.80(b) on wine shipped directly to consumers in this State pursuant to  
50 G.S. 18B-1001.1 must be paid by the wine shipper permittee. The taxes on malt beverages and  
51 wine are payable only once on the same beverages. ~~The~~ Unless otherwise provided, the tax is



1 due on or before the 15th day of the month following the month in which the beverage is first  
2 sold or otherwise disposed of in this State by the wholesaler, importer, or wine shipper  
3 permittee. When excise taxes are paid on wine or malt beverages, the ~~wholesaler, importer, or~~  
4 ~~wine shipper permittee~~ wholesaler or importer must submit to the Secretary verified reports on  
5 forms provided by the Secretary detailing sales records for the month for which the taxes are  
6 paid. The report must indicate the amount of excise tax due, contain the information required  
7 by the Secretary, and indicate separately any transactions to which the excise tax does not  
8 apply. A wine shipper permittee shall submit verified reports once a year on forms provided by  
9 the Secretary detailing sales records for the year the taxes are paid. The verified report is due on  
10 or before the fifteenth day of the first month of the following calendar year."

11 **SECTION 4.4.(a)** G.S. 105-187.82 is repealed.

12 **SECTION 4.4.(b)** G.S. 105-187.77(a) reads as rewritten:

13 "(a) Purpose. – An excise tax is levied on the privilege of engaging in the severance of  
14 energy minerals from the soil or water of this State. The tax is imposed on the producer of the  
15 energy mineral. The purpose of the tax is to provide revenue to administer and enforce the  
16 provisions of this Article, to administer the State's natural gas and oil reclamation regulatory  
17 program, to meet the environmental and resource management needs of this State, and to  
18 reclaim land affected by exploration for, drilling for, and production of natural gas and oil. The  
19 severance tax is imposed upon all energy minerals severed when sold."

20 **SECTION 4.4.(c)** G.S. 105-187.81 reads as rewritten:

21 "**§ 105-187.81. Bond or letter of credit required.**

22 A producer must file with the Secretary a bond or an irrevocable letter of credit ~~if the~~  
23 ~~producer fails to file a return required under this Article prior to obtaining a permit under~~  
24 G.S. 113-395. A bond or an irrevocable letter of credit must be conditioned upon compliance  
25 with the requirements of this Article, be payable to the State, and be in the form required by the  
26 Secretary. The amount of the bond or irrevocable letter of credit is two times the applicant's  
27 average expected monthly tax liability under this Article, as determined by the ~~Secretary.~~  
28 Secretary, provided the amount of the bond may not be less than two thousand dollars (\$2,000)  
29 and may not be more than two million dollars (\$2,000,000). The Secretary should periodically  
30 review the sufficiency of bonds required of producers and increase the amount of a required  
31 bond when the amount of the bond furnished no longer covers the anticipated tax liability of the  
32 producer and decrease the amount when the Secretary determines that a smaller bond amount  
33 will adequately protect the State from loss. When notified to do so by the Secretary, a person  
34 who is required to file a bond or an irrevocable letter of credit must file the bond or irrevocable  
35 letter of credit in the amount required by the Secretary within 30 days after receiving the notice  
36 from the Secretary."

37 **SECTION 4.5.(a)** G.S. 105-259(b) reads as rewritten:

38 "(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has  
39 access to tax information in the course of service to or employment by the State may not  
40 disclose the information to any other person except as provided in this subsection. Standards  
41 used or to be used for the selection of returns for examination and data used or to be used for  
42 determining the standards may not be disclosed for any purpose. All other tax information may  
43 be disclosed only if the disclosure is made for one of the following purposes:

44 ...

45 (40) To furnish a nonparticipating manufacturer, as defined in G.S. 66-292, the  
46 amount of the manufacturer's tobacco products that a taxpayer ~~sells~~ sold in  
47 this State by distributor, and that the Secretary reports to the Attorney  
48 General under G.S. 105-113.4C.

49 ...

1           (49) To provide public access to a list containing the name and account number  
2           of entities licensed under Article 2A of this Chapter to aid in the  
3           administration of the tobacco products tax.

4           (50) To exchange information regarding the tax imposed on motor carriers under  
5           Article 36B of this Chapter with other jurisdictions that administer the  
6           International Fuel Tax Agreement to aid in the administration of the  
7           Agreement."

8           **SECTION 4.5.(b)** G.S. 105-449.57(c) reads as rewritten:

9           "(c) Disclosure. – In accordance with G.S. 105-259, the Secretary may, as required by  
10          the terms of an agreement, forward to officials of another jurisdiction any information in the  
11          Department's possession relative to the administration and collection of a tax imposed on the  
12          use of motor fuel or alternative fuel by any motor carrier. The Secretary may disclose to  
13          officials of another jurisdiction the location of offices, motor vehicles, and other real and  
14          personal property of motor carriers."

15          **SECTION 4.6.** G.S. 105-449.49 reads as rewritten:

16          "**§ 105-449.49. Temporary permits.**

17          (a) Issuance. – Upon application to the Secretary and payment of a fee of fifty dollars  
18          (\$50.00), a ~~motor carrier~~permitting service may obtain a temporary permit authorizing ~~the a~~  
19          motor carrier to operate a vehicle in the State for three days without registering the vehicle in  
20          accordance with G.S. 105-449.47. The permitting service may sell the temporary permit to a  
21          motor carrier. A motor carrier to whom a temporary permit has been issued may elect not to  
22          report its operation of the vehicle during the three-day period. Fees collected under this  
23          subsection are credited to the Highway Fund.

24          (b) ~~Refusal.~~—~~The Secretary may refuse to issue a temporary permit to any of the~~  
25          ~~following:~~

26                 (1) ~~A motor carrier whose registration has been withheld or revoked.~~

27                 (2) ~~A motor carrier who the Secretary determines is evading payment of tax~~  
28                 ~~through the successive purchase of temporary permits."~~

29          **SECTION 4.7.(a)** G.S. 105-449.57(a) reads as rewritten:

30          "(a) Authority. – The Secretary may enter into cooperative agreements with other  
31          jurisdictions for exchange of information in administering the tax imposed by this Article. No  
32          agreement, arrangement, declaration, or amendment to an agreement is effective until stated in  
33          writing and approved by the ~~Secretary.~~Secretary or the Secretary's designee."

34          **SECTION 4.7.(b)** G.S. 150-449.57(e) reads as rewritten:

35          "(e) Restriction. – The Secretary or the Secretary's designee may not enter into any  
36          agreement that would increase or decrease taxes and fees imposed under Subchapter V of  
37          Chapter 105 of the General Statutes. Any provision to the contrary is void."

38          **SECTION 4.8.** G.S. 105-449.45 is amended by adding a new subsection to read:

39          "(e) Interest. – Interest on overpayments and underpayments of tax imposed on motor  
40          carriers under this Article is subject to the interest rate adopted in the International Fuel Tax  
41          Agreement."

## 42

### 43 **PART V. TAX COMPLIANCE AND TAX FRAUD PREVENTION**

44          **SECTION 5.1.(a)** G.S. 105-163.7 reads as rewritten:

45          "**§ 105-163.7. Statement to employees; information to Secretary.**

46          (a) Report to Employee. – Every employer required to deduct and withhold from an  
47          employee's wages under G.S. 105-163.2 shall furnish to the employee in respect to the  
48          remuneration paid by the employer to such employee during the calendar year, on or before  
49          January 31 of the succeeding year, or, if the employment is terminated before the close of the  
50          calendar year, within 30 days after the date on which the last payment of remuneration is made,  
51          duplicate copies of a written statement showing the following:

- 1 (1) The employer's name, address, and taxpayer identification number.
- 2 (2) The employee's ~~name~~name, address, and social security number.
- 3 (3) The total amount of ~~wages~~wages or remuneration made.
- 4 (4) The total amount deducted and withheld under G.S. 105-163.2.

5 (b) ~~The Secretary may require an employer to include information not listed in~~  
6 ~~subsection (a) on the employer's written statement to an employee and to file the statement at a~~  
7 ~~time not required by subsection (a).~~Report to Secretary. – Every employer shall file an annual  
8 report with the Secretary that contains the information given on each of the employer's written  
9 statements to an employee and any other information required by the Secretary. The annual  
10 report is due on ~~the same date the employer's federal information return of federal income taxes~~  
11 ~~withheld from wages is due under the Code.~~or before January 31 of the succeeding year and  
12 must be filed in an electronic format as prescribed by the Secretary. The Secretary may, upon a  
13 showing of good cause, waive the electronic submission requirement. The report required by  
14 this subsection is in lieu of the report required by G.S. 105-154.

15 (c) Repealed by Session Laws 2002-72, s. 16, effective August 12, 2002."

16 **SECTION 5.1.(b)** G.S. 105-236(a)(10) reads as rewritten:

17 "**§ 105-236. Penalties; situs of violations; penalty disposition.**

18 (a) Penalties. – The following civil penalties and criminal offenses apply:

19 ...  
20 (10) Failure to File Informational Returns. –

- 21 a. Repealed by Session Laws 1998-212, s. 29A.14(m), effective  
22 January 1, 1999.
- 23 b. The Secretary may request a person who fails to file timely  
24 statements of payment to another person with respect to wages,  
25 dividends, rents, or interest paid to that person to file the statements  
26 by a certain date. If the payer fails to file the statements by that date,  
27 the amounts claimed on the payer's income tax return as deductions  
28 for salaries and wages, or rents or interest shall be disallowed to the  
29 extent that the payer failed to comply with the Secretary's request  
30 with respect to the statements.
- 31 c. For failure to file with the Secretary an informational return required  
32 by ~~Article 36C or 36D~~ Article 4A, 36C, or 36D of this Chapter by the  
33 date the return is due, there shall be assessed a penalty of fifty dollars  
34 (\$50.00)."

35 **SECTION 5.1.(c)** G.S. 105-163.2A(b) reads as rewritten:

36 "(b) Withholding Required. – A pension payer required to withhold federal taxes under  
37 section 3405 of the Code on a pension payment to a resident of this State must deduct and  
38 withhold from the payment the State income taxes payable on the payment. Liability for  
39 withholding and paying taxes under this section on a pension payment falls on the person who  
40 would be liable under section 3405 of the Code for withholding federal taxes on the payment.

41 Except as otherwise provided in this section, the provisions of this Article apply to a  
42 pension payer's pension payment to a resident of this State as if it were an employer's payment  
43 of wages to an employee. The pension payer must file a return, pay the withheld taxes, and  
44 report the amount withheld in the time and manner required under G.S. 105-163.6 and  
45 G.S. 105-163.7 as if the pension payment were wages. If a pension payer has more than one  
46 arrangement under which it may make pension payments to a resident of this State, each  
47 arrangement must be treated separately under this section."

48 **SECTION 5.1.(d)** G.S. 105-163.2B reads as rewritten:

49 "**§ 105-163.2B. North Carolina State Lottery Commission must withhold taxes.**

50 The North Carolina State Lottery Commission, established by Chapter 18C of the General  
51 Statutes, must deduct and withhold State income taxes from the payment of winnings in an

1 amount of six hundred dollars (\$600.00) or more. The amount of taxes to be withheld is a  
2 percentage of the winnings. The percentage is the individual income tax rate in G.S. 105-153.7.  
3 The Commission must file a return, pay the withheld taxes, and report the amount withheld in  
4 the time and manner required under G.S. 105-163.6 and G.S. 105-163.7 as if the winnings were  
5 wages. The taxes the Commission withholds are held in trust for the Secretary."

6 **SECTION 5.1.(e)** G.S. 105-163.3 reads as rewritten:

7 "**§ 105-163.3. Certain payers must withhold taxes.**

8 ...

9 (e) ~~Returns.—A payer must file a return with the Secretary and pay the withheld taxes~~  
10 ~~to the Secretary in accordance with the requirements in G.S. 105-163.6.~~

11 (d) Returns, Annual Statement, Statement, and Report. – A payer required to deduct and  
12 withhold from a contractor's compensation under this section must file a return, pay the  
13 withheld taxes, and report the amount withheld in the time and manner required under  
14 G.S. 105-163.6 and G.S. 105-163.7 as if the compensation were wages.~~give the contractor a~~  
15 ~~written statement that sets out the following information and any other information required by~~  
16 ~~the Secretary:~~

- 17 (1) ~~The payer's name, address, and taxpayer identification number.~~  
18 (2) ~~The contractor's name, address, and taxpayer identification number.~~  
19 (3) ~~The total amount of compensation paid during the calendar year.~~  
20 (4) ~~The total amount deducted and withheld under this section during the~~  
21 ~~calendar year.~~

22 ~~This statement is due by January 31 following the end of the calendar year, unless the personal~~  
23 ~~services for which the payer is paying are completed before the end of the calendar year and the~~  
24 ~~contractor requests the statement when the services are completed. In this circumstance, the~~  
25 ~~statement is due within 45 days after the payer's last payment of compensation to the~~  
26 ~~contractor.~~

27 ~~Each payer shall file with the Secretary an annual report that compiles the information~~  
28 ~~contained in each of the payer's statements to contractors and any other information required by~~  
29 ~~the Secretary in the manner required by the Secretary. This report is due on the date prescribed~~  
30 ~~by the Secretary and is in lieu of the information report required by G.S. 105-154.~~

31 ...."

32 **SECTION 5.1.(f)** Subsection (b) of this section is effective for taxable years  
33 beginning on or after January 1, 2016, and applies to information returns required to be filed  
34 with the Secretary in 2017 for the 2016 taxable year. The remainder of this section is effective  
35 for taxable years beginning on or after January 1, 2015, and applies to information returns  
36 required to be filed with the Secretary in 2016 for the 2015 taxable year.

37 **SECTION 5.2.** G.S. 105-237 reads as rewritten:

38 "**§ 105-237. Waiver of penalties; Waiver; installment payments.**

39 (a) Waiver. – The Secretary may, upon making a record of the reasons therefor, ~~reduce~~  
40 do the following:

- 41 (1) Reduce or waive any penalties provided for in this Subchapter.  
42 (2) Reduce or waive any interest provided for in this Subchapter on taxes  
43 imposed prior to or during a period for which a taxpayer has declared  
44 bankruptcy under Chapter 7 or Chapter 13 of Title 11 of the United States  
45 Code.

46 (b) Installment Payments. – After a proposed assessment of a tax becomes final, the  
47 Secretary may enter into an agreement with the taxpayer for payment of the tax in installments  
48 if the Secretary determines that the agreement will facilitate collection of the tax. The  
49 agreement may include a waiver of penalties but may not include a waiver of liability for tax or  
50 interest due. The Secretary may modify or terminate the agreement if one or more of the  
51 following findings is made:

- 1 (1) Information provided by the taxpayer in support of the agreement was
- 2 inaccurate or incomplete.
- 3 (2) Collection of tax to which the agreement applies is in jeopardy.
- 4 (3) The taxpayer's financial condition has changed.
- 5 (4) The taxpayer has failed to pay an installment when due or to pay another tax
- 6 when due.
- 7 (5) The taxpayer has failed to provide information requested by the Secretary.

8 The Secretary must give a taxpayer who has entered into an installment agreement at least  
9 30 days' written notice before modifying or terminating the agreement on the grounds that the  
10 taxpayer's financial condition has changed unless the taxpayer failed to disclose or concealed  
11 assets or income when the agreement was made or the taxpayer has acquired assets since the  
12 agreement was made that can satisfy all or part of the tax liability. A notice must specify the  
13 basis for the Secretary's finding of a change in the taxpayer's financial condition."

14 **SECTION 5.3.(a)** Article 9 of Subchapter I of Chapter 105 of the General Statutes  
15 is amended by adding a new section to read:

16 "**§ 105-251.2. Compliance information requests.**

17 (a) Licensing Boards. – A North Carolina licensing board listed in this subsection must  
18 give information to the Secretary when the Secretary requests the information. The Secretary  
19 may not request the information more than one time per calendar year. The Secretary may  
20 request the board to provide on a return, a report, or otherwise, a licensee's name, license  
21 number, tax identification number, business address, and any other information pertaining to  
22 the licensee in possession of the board that the Secretary deems necessary to determine the  
23 licensee's compliance with this Chapter. This subsection applies to the following boards:

- 24 (1) Licensing Board for General Contractors.
- 25 (2) North Carolina Medical Board.
- 26 (3) North Carolina State Bar.
- 27 (4) North Carolina State Board of Dental Examiners.
- 28 (5) North Carolina Real Estate Commission.
- 29 (6) American Board of Ophthalmology.
- 30 (7) North Carolina State Board of Certified Public Accountant Examiners.
- 31 (8) North Carolina Board of Nursing.
- 32 (9) North Carolina State Board of Examiners for Nursing Home Administrators.
- 33 (10) North Carolina Professional Photographer.
- 34 (11) Veterinary Medical Board.
- 35 (12) North Carolina Department of Health and Human Services.
- 36 (13) North Carolina State Board of Examiners in Optometry.
- 37 (14) North Carolina Board of Examiners of Plumbing, Heating, and Fire
- 38 Sprinkler Contractors.
- 39 (15) North Carolina Board of Chiropractic Examiners.
- 40 (16) Landscape Contractors' Registration Board.
- 41 (17) North Carolina Board of Examiners of Electrical Contractors.
- 42 (18) Locksmith Licensing Board.
- 43 (19) North Carolina Board of Physical Therapy Examiners.
- 44 (20) North Carolina Board of Examiners for Engineers and Surveyors.
- 45 (21) North Carolina Board of Law Examiners.
- 46 (22) North Carolina State Board of Opticians.
- 47 (23) North Carolina Association of Naturopathic Physicians.
- 48 (24) North Carolina Home Inspector Licensure Board.
- 49 (25) North Carolina Acupuncture Licensing Board.

50 (b) Franchises. – A franchisor must give information to the Secretary when the  
51 Secretary requests the information. The Secretary may not request the information more than

1 one time per calendar year. The Secretary may request the franchisor to provide on a return, a  
 2 report, or otherwise, any information pertaining to a franchisee in possession of the franchisor  
 3 that the Secretary deems necessary to determine the franchisee's compliance with this Chapter.  
 4 The following definitions apply in this subsection:

5 (1) Franchise. – A right, privilege, or license that a franchisee acquires to allow  
 6 the franchisee to have access to a franchisor's proprietary knowledge,  
 7 processes, and trademarks in order to allow the franchisee to sell a product  
 8 or provide a service in this State under the franchisor's name.

9 (2) Franchisee. – A person who acquires a franchise.

10 (3) Franchisor. – A person who grants to another a franchise.

11 (c) Alcohol Vendor. – An alcohol vendor must give information to the Secretary when  
 12 the Secretary requests the information. The Secretary may not request the information more  
 13 than one time per calendar year. The Secretary may request the alcohol vendor to provide on a  
 14 return, a report, or otherwise, for a permittee to which the alcohol vendor provides alcohol, a  
 15 permittee's name, license number, and business address, and any other information pertaining  
 16 to the permittee in possession of the alcohol vendor that the Secretary deems necessary to  
 17 determine the permittee's compliance with this Chapter. This subsection applies to the following  
 18 alcohol vendors:

19 (1) An ABC store in the ABC system, as defined in G.S. 18B-101.

20 (2) A wine wholesaler, as defined in G.S. 18B-1201.

21 (3) A wholesaler, as defined in G.S. 18B-1301."

22 **SECTION 5.3.(b)** This section becomes effective July 1, 2016.

## 23

## 24 **PART VI. OTHER TAX CHANGES**

25 **SECTION 6.1.(a)** G.S. 105-242.2(e) reads as rewritten:

26 "(e) Statute of Limitations. – The period of limitations for assessing a responsible person  
 27 for unpaid taxes under this section expires the later of (i) one year after the expiration of the  
 28 period of limitations for assessing the business ~~entity~~ or (ii) one year after a tax becomes  
 29 collectible from the business entity under G.S. 105-241.22(3), (4), (5), or (6)."

30 **SECTION 6.1.(b)** This section is effective when this act becomes law and applies  
 31 to a tax that becomes collectible from the business entity under G.S. 105-241.22(3), (4), (5), or  
 32 (6) on or after that date.

33 **SECTION 6.2.** G.S. 105-521 is repealed.

34 **SECTION 6.3.(a)** G.S. 131E-28 is repealed.

35 **SECTION 6.3.(b)** G.S. 105-130.5(b)(1a) reads as rewritten:

36 "(b) The following deductions from federal taxable income shall be made in determining  
 37 State net income:

38 ...

39 (1a) Interest upon the obligations of any of the following, net of related expenses,  
 40 to the extent included in federal taxable income:

41 a. This State, a political subdivision of this State, or a commission, an  
 42 authority, or another agency of this State or of a political subdivision  
 43 of this State.

44 b. A nonprofit educational institution organized or chartered under the  
 45 laws of this State.

46 c. A hospital authority created under G.S. 131E-17."

47 **SECTION 6.3.(c)** G.S. 105-153.5(b)(1) reads as rewritten:

48 "(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may  
 49 deduct from the taxpayer's adjusted gross income any of the following items that are included  
 50 in the taxpayer's adjusted gross income:

51 (1) Interest upon the obligations of any of the following:

- 1 a. The United States or its possessions.
- 2 b. This State, a political subdivision of this State, or a commission, an
- 3 authority, or another agency of this State or of a political subdivision
- 4 of this State.
- 5 c. A nonprofit educational institution organized or chartered under the
- 6 laws of this State.
- 7 d. A hospital authority created under G.S. 131E-17."

8 **SECTION 6.3.(d)** G.S. 105-449.88 is amended by adding a new subdivision to

9 read:

10 **"§ 105-449.88. Exemptions from the excise tax.**

11 The excise tax on motor fuel does not apply to the following:

- 12 ...
- 13 (10) Motor fuel sold to a hospital authority created under G.S. 131E-17."

14 **SECTION 6.4.** G.S. 153A-134(b) is repealed.

15

16 **PART VII. EFFECTIVE DATE**

17 **SECTION 7.1.** Except as otherwise provided, this act is effective when it becomes

18 law.